

FORT DODGE COMMUNITY SCHOOL DISTRICT
FORT DODGE, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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FORT DODGE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Stuart Cochrane	President	2013
Jerry Schnurr	Vice President	2011
Craig Jarrard	Board Member	2011
Bill Kent	Board Member	2011
Kevin Rogers	Board Member	2011
Brian Forsythe	Board Member	2013
Janice Merz	Board Member	2013
(After September 2011 election)		
Stuart Cochrane	President	2013
Brian Forsythe	Vice President	2013
Janice Merz	Board Member	2013
Bill Kent	Board Member	2015
Kevin Rogers	Board Member	2015
Deb Peterson	Board Member	2015
Matt Wagner	Board Member	2015
<u>School Officials</u>		
Doug Van Zyl	Superintendent	2012
John W. Christensen, Jr.	District Secretary/Treasurer	2012
Rick A. Engel	Attorney	2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Fort Dodge Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2013 on our consideration of Fort Dodge Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 19 and 60 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Dodge Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
January 9, 2013

Fort Dodge Community School District

Management Discussion and Analysis

This section of the Fort Dodge Community School District's annual financial report presents our discussion. Since all activities are required to be reported on a full accrual basis, a comprehensive comparison to the prior year has been made as is required to provide comparison of key current year data to prior year data. (Please refer to Table A-1 for comparison of the fiscal years.) Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net assets in fiscal year 2012 increased 10.14 percent to \$34.099 million. The Governmental Activities net assets increased 10.33 percent, while the business type activities net assets increased .1 percent. (See Table A-1) Overall revenues were \$48.900 million, and expenses were \$45.760 million.
- During fiscal year 2012 the District completed the Roof Replacement Projects at Feelhaver Elementary and Cooper Elementary, which were funded by the Capital Projects Fund. The cost of the projects was \$235,866 and \$552,865 respectively. The District also spent \$916,367 on the classroom addition project at Butler Elementary, \$68,675 on the Central Administration Building Chiller Replacement, and \$123,747 on the Dodger Stadium Scoreboard Project--all funded by dollars from the Capital Projects Fund. At the end of the fiscal year the outstanding balance on the loan from the Capital Projects Fund to the Physical Plant and Equipment Fund was \$153,000 for the Dodger Stadium Turf Replacement Project. As the pledges are paid to the district through the Physical Plant and Equipment Fund, the loan from the Capital Projects Fund is reduced and eventually will be paid off in its entirety.
- A continued low level in market interest rates resulted in the General Fund interest income decreasing from \$65,000 in fiscal year 2011 to \$51,245 in fiscal year 2012. Total District interest earnings were \$130,530. This continued low level of interest earnings is a reflection of the continuing worldwide economic downturn that began during the 2008 calendar year.
- The General Fund ending unassigned fund balance increased from \$5.052 million in fiscal year 2011 to \$6.724 million in fiscal year 2012.
- The self insured dental internal service fund incurred a net gain of \$43,231. The District had a balance of \$172,707 at the end of the fiscal year, which is over seven months' worth of reserves. The premium levels will need to be adjusted for future years to maintain the necessary reserves.
- The District Statement of Net Assets indicates an unrestricted net balance of \$3.105 million at the end of the 2012 fiscal year, which is up from \$1.673 million at the end of the 2011 fiscal year. This is an 85.46 percent increase from the previous year. This is due to a variety of factors, including the increase in property and other taxes levied as well as the increases in state and local revenues not restricted to any specific purpose.

- The District revenues increased .16 percent in the 2012 fiscal year compared to a 6.06 percent increase in the 2011 fiscal year, while the District expenses increased 2.96 percent in the 2012 fiscal year compared to 1.31 percent decrease in the 2011 fiscal year. Please refer to Table A-2 for a breakdown of the revenues and expenses.
- The Fort Dodge Community School District certified enrollment count taken on October 1, 2011, was 3,656.4. This count represents a reduction of 81.1 students from the prior year. There has been a net loss of 326.7 students in the last five years. The historic enrollment trend for the District has been downward, and according to the Iowa Department of Education estimates, it will continue downward.
- The 2012 special education program ended the year with a deficit balance of \$222,976. The balance in fiscal year 2011 was positive, at \$19,916.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* (Statement of Net Assets and Statement of Activities) that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the district operates *like businesses*, such as food services.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

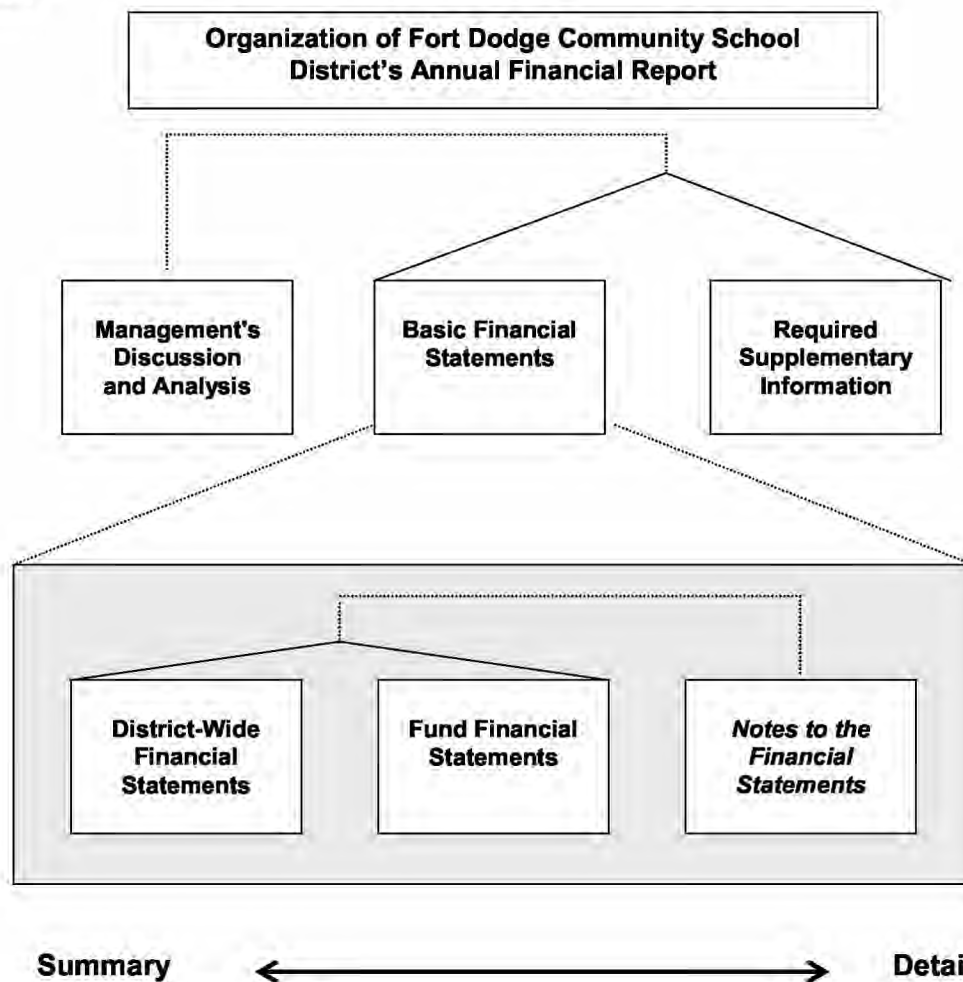


Figure A-2 on the next page summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses: school nutrition and the medical self insurance internal service fund included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*—The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. —The District's *enterprise fund*, school nutrition (one type of proprietary fund), is the same as its business-type activities, but provides more detail and additional information, such as cash flows. —*Internal service funds* (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds which handle the Flexible Spending Account and the Self Funded Dental Account.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. Table A-1 below provides a comparison of the District's net assets as of June 30.

Table A-1							
Condensed Statement of Net Assets							
	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2011	2012	2011	2012	2011	2012	2011-12%
Current and other assets	\$31,713,191	\$49,713,814	\$630,878	\$566,630	\$32,344,069	\$50,280,444	55.45%
Capital assets	\$23,191,190	\$39,820,649	\$185,454	\$208,006	\$23,376,644	\$40,028,655	71.23%
Total Assets	\$54,904,381	\$89,534,463	\$816,332	\$774,636	\$55,720,713	\$90,309,099	62.07%
Long-term debt outstanding	\$5,508,160	\$35,802,081	\$0	\$0	\$5,508,160	\$35,802,081	549.98%
Other liabilities	\$19,028,278	\$20,225,480	\$224,949	\$182,407	\$19,253,227	\$20,407,887	6.00%
Total liabilities	\$24,536,438	\$56,027,561	\$224,949	\$182,407	\$24,761,387	\$56,209,968	127.01%
Net Assets							
Invested in capital assets, net of related debt	\$23,191,190	\$26,278,268	\$185,454	\$208,006	\$23,376,644	\$26,486,274	13.30%
Restricted	\$5,908,765	\$4,508,274	\$0	\$0	\$5,908,765	\$4,508,274	-23.70%
Unrestricted	\$1,267,988	\$2,720,360	\$405,929	\$384,223	\$1,673,917	\$3,104,583	85.47%
TOTAL NET ASSETS	\$30,367,943	\$33,506,902	\$591,383	\$592,229	\$30,959,326	\$34,099,131	10.14%

The District's combined net assets were larger on June 30, 2012, than they were the year before--increasing 10.14% to \$34.099 million. (See Table A-1). Most of this change in the District's financial position came from its governmental activities, the net assets of which grew \$3.138 million to \$33.506 million. The net assets of the District's business-type activities increased .1% to \$.592 million.

The District's financial position is the product of many factors. The various sources of tax revenue, grants, and charges for services exceeded related expenditures. The one percent local option sales tax funding the Capital Projects Fund has been especially helpful to the district. The \$3.148 million sales tax revenue received is exclusively used for capital projects, which will be expensed as depreciation over many years on the Statement of Activities.

Cash and pooled investments total \$33.604 million or 37.2% of total assets, down from 26.1% from fiscal 2011. \$10.627 million of these cash balances are needed at June 30th of each year to fund the district general fund operations in July, August, and the first half of September, when there is very little state aid or property tax revenue. \$17.521 million of cash and investments is dedicated to future capital project investments. This cash will be used for the continued renovation projects yet to be completed at the Senior High School and construction of a new middle school as well as other district projects now that the district passed a new Revenue Purpose Statement in September of 2008.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$13.514 million and related unearned revenue liability on the Statement of Net Assets result from this requirement. Net property and equipment (capital assets) of \$40.028 million represents 44.32% of total assets for the 2012 fiscal year compared with \$23.376 million and 42.00% of total assets for the 2011 fiscal year.

Changes in Statement of Activities

Table A-2 recasts the Statement of Activities into a traditional revenue and expenses format. Unrestricted state aid accounts for 36.07% of total revenue, and property tax accounts for 27.75% for the 2012 fiscal year, compared with

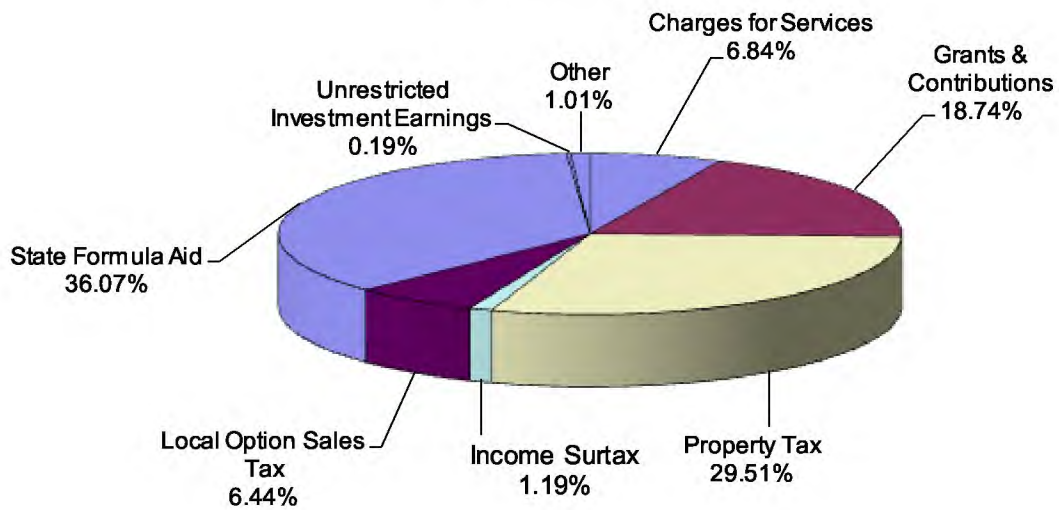
35.65% and 27.30%, respectively, for the 2011 fiscal year. Specific categorical grants and contributions from state, federal, and private sources account for 18.73% of revenue for the 2012 fiscal year compared with 20.38% for the 2011 fiscal year. The local option sales tax dedicated to school infrastructure totals 6.44% for 2012 compared with 6.25% for the 2011 fiscal year. The charges for services, mainly tuition and student co-curricular activities, account for 6.84% for the 2012 fiscal year compared with 6.68% for the 2011 fiscal year. (See Figure A-2).

Of the District's expenses for 2012, 59.15% are predominately related to the instruction of students, compared with 61.65% for 2011. The support services, non-instructional programs, facilities acquisition, and unallocated depreciation categories account for 38.56% for 2012 compared with 38.35% of expenses for 2011. (See Figure A-4). These categories contain many line items directly supporting students and instruction, such as guidance, health, media, technology, improvement of instruction, and student transportation and food service program costs and depreciation expense not directly allocated to any functional area.

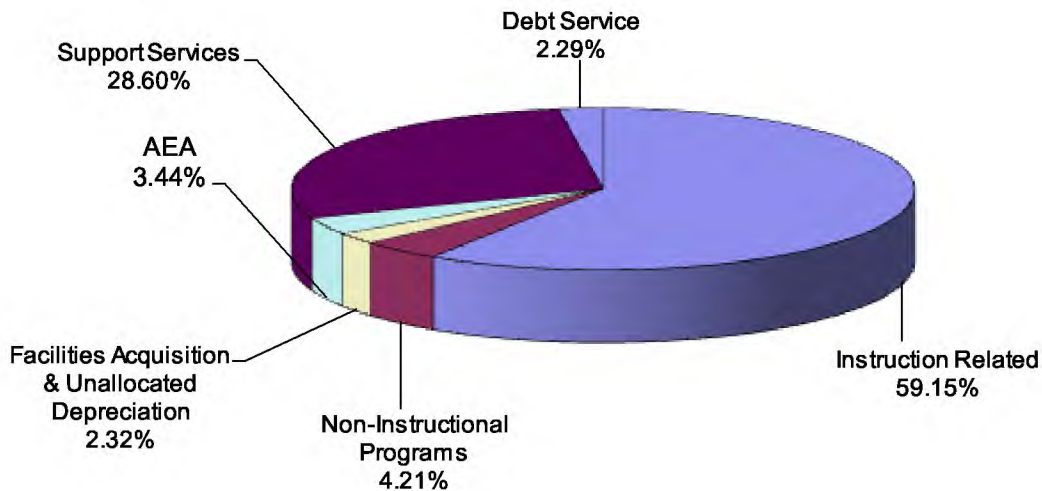
Operations and maintenance and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency.

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2011	2012	2011	2012	2011	2012	2011-12%
Revenues							
Program Revenues:							
Charges for services	2,562,117	2,664,498	701,178	680,663	\$3,263,295	\$3,345,161	2.51%
Operating Grants & Contributions	8,650,852	7,818,208	1,193,028	1,300,040	\$9,843,880	\$9,118,248	-7.37%
Capital Grants & Contributions	106,128	44,760	0	0	\$106,128	\$44,760	-57.82%
General Revenues:							
Property Taxes -General	13,332,443	13,573,867	0	0	\$13,332,443	\$13,573,867	1.81%
Income Surtax	598,400	584,010	0	0	\$598,400	\$584,010	-2.40%
Local Option Sales Tax	3,051,186	3,148,552	0	0	\$3,051,186	\$3,148,552	3.19%
Property Tax - Capital Outlay	836,953	858,151	0	0	\$836,953	\$858,151	2.53%
State formula aid	17,404,614	17,640,717	0	0	\$17,404,614	\$17,640,717	1.36%
Unrestricted Investment Earnings	134,291	90,004	4,063	2,354	\$138,354	\$92,358	-33.25%
Other	244,783	494,446	0	0	\$244,783	\$494,446	101.99%
Total Revenues	\$46,921,767	\$46,917,213	\$1,898,269	\$1,983,057	\$48,820,036	\$48,900,270	0.16%
Expenses	2011	2012	2011	2012	2011	2012	2011-12%
Instruction	27,397,925	27,068,019	0	0	\$27,397,925	\$27,068,019	-1.20%
Student Services	1,932,274	1,948,544	0	0	\$1,932,274	\$1,948,544	0.84%
Instructional Staff Services	2,643,447	2,702,515	0	0	\$2,643,447	\$2,702,515	2.23%
Administrative & Business	3,777,380	4,028,872	64,781	64,175	\$3,842,161	\$4,093,047	6.53%
Maintenance & Operations	3,003,684	3,125,868	0	0	\$3,003,684	\$3,125,868	4.07%
Transportation	1,091,496	1,215,745	0	0	\$1,091,496	\$1,215,745	11.38%
Non-Instructional Programs	9,027	8,273	1,783,612	1,918,036	\$1,792,639	\$1,926,309	7.46%
Facilities Acquisition	189,302	153,475	0	0	\$189,302	\$153,475	-18.93%
Long-term debt interest & fiscal charges		1,046,538	0	0	\$0	\$1,046,538	
AEA Flowthrough	1,748,108	1,573,604	0	0	\$1,748,108	\$1,573,604	-9.98%
Depreciation (Unallocated)	802,616	906,801	0	0	\$802,616	\$906,801	12.98%
Total Expenses	\$42,595,259	\$43,778,254	\$1,848,393	\$1,982,211	\$44,443,652	\$45,760,465	2.96%
Excess (deficiency) before special item	\$4,326,508	\$3,138,959	\$49,876	\$846	\$4,376,384	\$3,139,805	-28.26%
Special item description	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Increase (decrease) in net assets	\$4,326,508	\$3,138,959	\$49,876	\$846	\$4,376,384	\$3,139,805	-28.26%

**Figure A-3
District Revenues
Fiscal Year 2012**



**Figure A-4
District Expenses
Fiscal Year 2012**



Governmental Activities

Revenues for governmental activities were \$46.917 million, while expenses amounted to \$43.778 million for 2012, compared with \$46.922 million and \$42.595 million for 2011. The District does need to watch expenses to match as closely as possible with available revenues--the percentage increase in expenses (2.77 percent) was higher than the revenue percentage decrease (.01 percent). The reason for this change is flat to very small increase in sales tax

revenue, property tax revenue, and state aid coupled with a significant decrease in operational grant revenue. Expenses increased in the Instructional Staff Services, Administrative and Business, Transportation, and Maintenance and Operational areas, among others (See Table A-2).

Table A-3 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, long-term debt, fiscal charges, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A-3 - Cost of Seven Major District Activities

	Total & Net Cost of Governmental Activities					
	Total Cost		Percentage	Net Cost		Percentage
	of Services		Change	of Services		Change
	2011	2012	2011-12%	2011	2012	2011-12%
Instruction	27,397,925	27,068,019	-1.20%	19,205,605	19,295,933	0.47%
Pupil & Instructional Svcs	4,575,721	4,651,059	1.65%	3,439,232	3,666,699	6.61%
Administrative & Business	3,777,380	4,028,872	6.66%	3,777,380	4,028,872	6.66%
Maintenance & Operations	3,003,684	3,125,868	4.07%	2,931,111	3,035,534	3.56%
Transportation	1,091,496	1,215,745	11.38%	1,033,715	1,153,423	11.58%
Other	2,749,053	3,688,691	34.18%	889,119	2,070,327	132.85%
TOTAL	\$42,595,259	\$43,778,254	2.78%	\$31,276,162	\$33,250,788	6.31%

- The cost of all governmental activities this year was \$43.778 million.
- Some of the cost (\$2.664 million) was financed by users of the District's programs.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of \$7.863 million.
- Most of the District's costs (\$33.251 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$14.432 million in property taxes, \$.584 million in income surtax, \$17.641 million in unrestricted state aid, \$3.149 million in local option sales taxes, and \$.584 million in interest and miscellaneous income.

Business - Type Activities

Revenues of the District's business-type activities (school nutrition services) were comprised of charges for the daily lunch and breakfasts, and federal and state reimbursements.

- During the 2012 fiscal year the amount of excess revenue was \$846 compared to \$49,876 for the 2011 fiscal year. Revenues did increase 4.47% to \$1,983,057, while expenses rose 7.24% to \$1,982,211.
- During the 2006-2007 fiscal year the District outsourced the food service employees to Taher, Inc. We have completed the sixth year under this arrangement, and it continues to work well for the district.
- Lunch prices increased this year by 10 cents in both student categories. The increase is due to the federally mandated lunch pricing equity guidelines and the rising costs of food.
- Purchased services for the 2012 year were \$906,287 compared with \$851,641 for the 2011 year, an increase of 6.42%. This category now includes the cost of personnel, as these services are now outsourced. Supplies for the 2012 fiscal year were \$985,126 compared with the 2011 year for which they were \$912,408, an increase of 7.97%. The increase is largely attributed to the increase in milk and bread products.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. (Refer to the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.) As the District completed the year, its governmental funds reported combined fund balances of \$30.960 million—160.06% higher than the prior year's ending fund balance of \$11.905 million. The biggest reason for the increase in the Governmental Fund Balance is due to the sale of sales tax revenue bonds for the construction of the new Middle School building.

In 2012 the enterprise fund (School Nutrition) showed a net gain of \$846. This was the seventh year in a row for gains in the School Nutrition Fund. This increase was less than the previous year's net gain of \$49,876. The biggest reason for this change was a \$133,818 increase in expenditures from the 2010-2011 fiscal year to the 2011-2012 fiscal year.

Budgetary Highlights

- The District levied \$2,088,065 for cash reserve in the 2012 fiscal year—up from \$1,975,000 in the 2011 fiscal year—this is an increase of 5.72%. The cash reserve amount will vary based on the District's needs, especially depending on the special education deficit, the amount requested from the School Budget Review Committee for asbestos and safety projects, and the District's requirements for sufficient cash balances for cash flow needs.
- Budgeted expenditures include both unspent spending authority from the prior year and general fund revenues.

During fiscal year 2012 district expenditures did not exceed the amounts budgeted in any functional category.

- The District's budget versus actual results was within acceptable management planning parameters. The final revenue variance was \$1,312,959 for the 2012 fiscal year compared with 53,395 for the 2011 fiscal year, an increase of \$1,259,564. The final expenditure variance was \$8,067,186 for the 2012 fiscal year compared with \$1,302,233 for the 2011 fiscal year. This is an increase of \$6,764,953 from the 2011 fiscal year to the 2012 fiscal year. This large variance was due to expected construction expenditures coming due at a slower than expected rate.
- The 2012 special education deficit was (\$222,975.59) The balance in fiscal year 2011 was \$19,915.59. The main reason for the deficit balance was the decrease in Medicaid reimbursements from the Federal Government and State Special Education District Cost revenue.
- See the Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances-Budget and Actual – All Governmental Funds and Proprietary Fund in the Required Supplementary Information section.

Capital Asset and Debt Administration

Capital Assets

By the end of FY12, the District had invested \$40.029 million (net accumulated depreciation of \$20.010 million) in a broad range of capital assets, including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holding, and textbooks. This amount represents a net 71.23% increase from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$1.297 million.

During fiscal year 2012 the District completed the Roof Replacement Projects at Feelhaver Elementary and Cooper Elementary, which was funded by the Capital Projects Fund. The cost of the projects was \$235,866 and \$552,865 respectively. The District also spent \$916,367 on the classroom addition project at Butler Elementary, \$68,675 on the Central Administration Building Chiller Replacement, and \$123,747 on the Dodger Stadium Scoreboard Project—all funded by dollars from the Capital Projects Fund. At the end of the fiscal year the outstanding balance on the loan from the Capital Projects Fund to the Physical Plant and Equipment Fund was \$153,000 for the Dodger Stadium Turf Replacement Project. As the pledges are paid to the district through the Physical Plant and Equipment Fund, the loan from the Capital Projects Fund is reduced and eventually will be paid off in its entirety.

During the 2012 fiscal year the District started construction of a new middle school and are continuing to pursue the disposal of the two existing middle school buildings. These changes will make progress toward upgrading the district's physical plant.

Table A-4
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2011	2012	2011	2012	2011	2012	2011-12%
Land	2,244,973	2,231,473	0	0	2,244,973	2,231,473	-0.60%
Construction In Progress	2,741,848	18,247,735	0	0	2,741,848	18,247,735	565.53%
Buildings	16,372,837	17,310,256	0	0	16,372,837	17,310,256	5.73%
Improvements other than buildings	436,745	523,591	0	0	436,745	523,591	19.88%
Equipment & Furniture	1,394,787	1,507,594	185,454	208,006	1,580,241	1,715,600	8.57%
TOTAL	\$23,191,190	\$39,820,649	\$185,454	\$208,006	\$23,376,644	\$40,028,655	71.23%

Long-Term Liabilities

At year end the District had \$35.802 million in long-term obligations outstanding—an increase of 549.98% from last year, as shown in Table A-5. (More detailed information about the District’s long-term liabilities is presented in Note 5. Note 6 to the financial statements explains Other Post Employment Benefits—OPEB—that affected the District beginning in the 2009 fiscal year.)

Table A-5			
District's Outstanding Long-Term Liabilities			
	Governmental Activities		Total Percentage Change
	2011	2012	2011-12
Early Retirement & Other Compensated Absences	4,973,160	4,543,081	-8.65%
Revenue Bonds	0	30,495,000	
Net OPEB Liabilities	535,000	764,000	42.80%
TOTAL	\$5,508,160	\$35,802,081	549.98%

- The District decreased its Early Retirement and Other Compensated Absences liability \$430,079 during the year and increased the OPEB liability by \$229,000 for a total decrease of \$201,079. The District issued \$30.495 million in revenue bonds during the 2012 fiscal year, which accounts for the large increase in long-term liabilities.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of eight existing circumstances that could significantly affect its financial health in the future:

- Even though the District is the twenty-sixth largest in the state in terms of students, it has one of the lowest ratios of taxable property value per student. This tends to raise property tax levies per thousand dollars of valuation to the higher end. Local property tax sensitivity has developed. In order to develop an effective education budget, the District needs to rely partially on the property tax levy.
- The age of the District’s five older elementary schools is a concern to the District. In order to deliver a modern education program using new technology and in order to control maintenance and safety costs, new elementary schools will need to be carefully examined and either replaced or added on to and updated. In 2008 the legislature adopted a statewide one cent sales tax for school infrastructure, which replaced the county-wide one half cent voted for the 10-year period that expired in July, 2009. This new school infrastructure funding mechanism will be in place until 2029 and will help the District provide for its long-term facility needs. The District has also completed a comprehensive building feasibility study to address these needs. The District has developed its building priority needs and will explore the options in 2012 and beyond.

- The District's primary source of revenue is the state of Iowa school aid formula. The allowable growth to schools was 0% for fiscal year 2012. Costs of providing a quality education program are rising faster than 2%. Teacher settlements alone over the past several years are in the 3.5% - 4.5% range. If future allowable growth increases do not keep pace with expenditures, the District will have to make the necessary re-alignments in its educational delivery system to come into line with allowable growth.
- More than 80 percent of the general fund budget is salaries and benefits. Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably, arbitrated settlements are higher than current levels of allowable growth in funding. Education budgets are then squeezed. A solution needs to be found.
- The District's unspent budget authority has increased for the past three years. It has increased during the 2012 fiscal year and is projected to decrease for the 2013 fiscal year.
- One of the key elements of the state of Iowa school aid formula is certified enrollment. Enrollment has decreased 7.9% during the last five years. When enrollment drops it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture.
- The voter approved piece of the Physical Plant and Equipment Levy is set to expire in FY14. Currently the voted PPEL is .67 per \$1,000 of taxable valuation. The district must take action to authorize an election to ask the voters for either a renewal of the existing levy or a potential increase of the levy to the statutory maximum of \$1.34.
- The Instructional Support Levy is set to expire in FY14. Currently the levy is funded through a mix of property tax and income surtax and stands at 8% of the regular program. The board of education will have to take action to renew the levy for a period of 5 years or bring it to the voters at an election for a period of 10 years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brandon Hansel, Board Treasurer/Director of Financial Services, Fort Dodge Community School District, Central Administration Building, 104 South 17th Street, Fort Dodge, Iowa, 50501 (Phone number: 515-574-5644, Fax number: 515-574-5322, or bhansel@fdschools.org).

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Basic Financial Statements

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 33,073,454	\$ 530,663	\$ 33,604,117
Receivables:			
Property tax:			
Current year	183,559	-	183,559
Succeeding year	13,514,568	-	13,514,568
Income surtax	633,505	-	633,505
Accounts	22,957	25,872	48,829
Due from other governments	1,734,238	-	1,734,238
Inventories	-	10,095	10,095
Prepaid expenses	6,923	-	6,923
Deferred charges	544,610	-	544,610
Capital assets, net of accumulated depreciation (note 4)	39,820,649	208,006	40,028,655
Total assets	89,534,463	774,636	90,309,099
Liabilities			
Accounts payable	87,209	171,982	259,191
Salaries and benefits payable	3,315,230	-	3,315,230
Due to other governments	471,527	-	471,527
Accrued interest payable	939,779	-	939,779
Deferred revenue:			
Succeeding year property tax	13,514,568	-	13,514,568
Other	13,381	10,425	23,806
Bond premium	1,883,786	-	1,883,786
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	501,881	-	501,881
Compensated absences	413,713	-	413,713
Portion due after one year:			
Early retirement	786,303	-	786,303
Bonds payable	30,495,000	-	30,495,000
Notes payable	2,841,184	-	2,841,184
Net OPEB liability	764,000	-	764,000
Total liabilities	56,027,561	182,407	56,209,968

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 26,278,268	\$ 208,006	\$ 26,486,274
Restricted for:			
Categorical funding	1,470,008	-	1,470,008
Physical plant and equipment levy purposes	121,793	-	121,793
Student activities	266,369	-	266,369
Debt service	2,650,104	-	2,650,104
Unrestricted	2,720,360	384,223	3,104,583
Total net assets	<u>\$ 33,506,902</u>	<u>\$ 592,229</u>	<u>\$ 34,099,131</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 16,141,713	\$ 674,720	\$ 3,305,918	\$ -
Special instruction	7,091,451	884,097	1,799,821	-
Other instruction	3,834,855	1,014,861	92,669	-
	<u>27,068,019</u>	<u>2,573,678</u>	<u>5,198,408</u>	<u>-</u>
Support services:				
Student services	1,948,544	-	730,859	-
Instructional staff services	2,702,515	-	253,501	-
Administration services	4,028,872	-	-	-
Operation and maintenance of plant services	3,125,868	86,094	4,240	-
Transportation services	1,215,745	4,726	57,596	-
	<u>13,021,544</u>	<u>90,820</u>	<u>1,046,196</u>	<u>-</u>
Non-instructional programs	<u>8,273</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	153,475	-	-	44,760
Long-term debt interest and fiscal charges	1,046,538	-	-	-
AEA flowthrough	1,573,604	-	1,573,604	-
Depreciation (unallocated) *	906,801	-	-	-
	<u>3,680,418</u>	<u>-</u>	<u>1,573,604</u>	<u>44,760</u>
Total governmental activities	43,778,254	2,664,498	7,818,208	44,760

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ (12,161,075)	\$ -	\$ (12,161,075)
(4,407,533)	-	(4,407,533)
(2,727,325)	-	(2,727,325)
<hr/>		
(19,295,933)	-	(19,295,933)
<hr/>		
(1,217,685)	-	(1,217,685)
(2,449,014)	-	(2,449,014)
(4,028,872)	-	(4,028,872)
(3,035,534)	-	(3,035,534)
(1,153,423)	-	(1,153,423)
<hr/>		
(11,884,528)	-	(11,884,528)
<hr/>		
(8,273)	-	(8,273)
<hr/>		
(108,715)	-	(108,715)
(1,046,538)	-	(1,046,538)
-	-	-
(906,801)	-	(906,801)
<hr/>		
(2,062,054)	-	(2,062,054)
<hr/>		
(33,250,788)	-	(33,250,788)
<hr/>		

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Food service operations	\$ 64,175	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	1,918,036	680,663	1,300,040	-
Total business-type activities	1,982,211	680,663	1,300,040	-
Total	\$ 45,760,465	\$ 3,345,161	\$ 9,118,248	\$ 44,760

General revenues:

Property tax levied for:

 General purposes

 Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ -	\$ (64,175)	\$ (64,175)
<hr/>		
-	62,667	62,667
<hr/>		
-	(1,508)	(1,508)
<hr/>		
(33,250,788)	(1,508)	(33,252,296)
<hr/>		
\$ 13,573,867	\$ -	\$ 13,573,867
858,151	-	858,151
584,010	-	584,010
3,148,552	-	3,148,552
17,640,717	-	17,640,717
90,004	2,354	92,358
494,446	-	494,446
<hr/>		
36,389,747	2,354	36,392,101
<hr/>		
3,138,959	846	3,139,805
<hr/>		
30,367,943	591,383	30,959,326
<hr/>		
\$ 33,506,902	\$ 592,229	\$ 34,099,131
<hr/>		

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 10,627,643	\$ 17,521,368	\$ 4,750,997	\$ 32,900,008
Receivables:				
Property tax:				
Current year	161,563	10,633	11,363	183,559
Succeeding year	11,085,453	929,116	1,499,999	13,514,568
Income surtax	633,505	-	-	633,505
Accounts	22,957	-	-	22,957
Due from other governments	1,235,709	498,529	-	1,734,238
Prepaid expenses	6,923	-	-	6,923
Total assets	<u>\$ 23,773,753</u>	<u>\$ 18,959,646</u>	<u>\$ 6,262,359</u>	<u>\$ 48,995,758</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 53,609	\$ 16,339	\$ 17,261	\$ 87,209
Salaries and benefits payable	3,315,230	-	-	3,315,230
Due to other governments	471,527	-	-	471,527
Deferred revenue:				
Succeeding year property tax	11,085,453	929,116	1,499,999	13,514,568
Other	646,886	-	-	646,886
Total liabilities	<u>15,572,705</u>	<u>945,455</u>	<u>1,517,260</u>	<u>18,035,420</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	6,923	-	-	6,923
Restricted for:				
Categorical funding (note 10)	1,470,008	-	-	1,470,008
Debt service	-	-	939,780	939,780
Revenue bond reserve	-	-	3,049,500	3,049,500
Management levy purposes	-	-	489,450	489,450
Student activities	-	-	266,369	266,369
Other capital projects	-	12,778,475	-	12,778,475
School infrastructure	-	5,113,923	-	5,113,923
Physical plant and equipment	-	121,793	-	121,793
Unassigned	6,724,117	-	-	6,724,117
Total fund balances	<u>8,201,048</u>	<u>18,014,191</u>	<u>4,745,099</u>	<u>30,960,338</u>
Total liabilities and fund balances	<u>\$ 23,773,753</u>	<u>\$ 18,959,646</u>	<u>\$ 6,262,359</u>	<u>\$ 48,995,758</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2012

Total fund balances of governmental funds	\$ 30,960,338
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	39,820,649
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	633,505
The Internal Service Fund net assets are directly related to the governmental funds due to the types of services provided and are, therefore, included in the statement of net assets under governmental activities.	173,446
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(939,779)
Long-term liabilities, including bonds payable, compensated absences, net OPEB liability, and bond premiums and deferred charges, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(37,141,257)</u>
Net assets of governmental activities	<u>\$ 33,506,902</u>
See notes to financial statements.	

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 13,271,599	\$ 4,006,145	\$ 891,438	\$ 18,169,182
Tuition	1,439,931	-	-	1,439,931
Other	1,055,942	134,790	974,500	2,165,232
Intermediate sources	4,000	-	-	4,000
State sources	22,525,569	557	600	22,526,726
Federal sources	2,572,107	-	-	2,572,107
Total revenues	40,869,148	4,141,492	1,866,538	46,877,178
Expenditures:				
Current:				
Instruction	25,231,757	-	1,837,623	27,069,380
Support services:				
Student services	1,931,775	-	-	1,931,775
Instructional staff services	2,482,342	157,383	39,535	2,679,260
Administration services	3,829,914	3,536	197,651	4,031,101
Operation and maintenance of plant services	2,904,969	46,596	169,193	3,120,758
Transportation services	998,534	517,207	97,017	1,612,758
	12,147,534	724,722	503,396	13,375,652
Non-instructional programs	8,273	-	-	8,273
Other expenditures:				
Facilities acquisition	-	17,575,360	-	17,575,360
Long term debt:				
Interest and fiscal charges	-	785,925	-	785,925
AEA flowthrough (note 10)	1,573,604	-	-	1,573,604
	1,573,604	18,361,285	-	19,934,889
Total expenditures	38,961,168	19,086,007	2,341,019	60,388,194
Excess (deficiency) of revenues over (under) expenditures	1,907,980	(14,944,515)	(474,481)	(13,511,016)

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	\$ 53,004	\$ -	\$ -	\$ 53,004
Bond premium	-	2,018,342	-	2,018,342
Interfund transfers in (note 3)	-	2,615	3,989,279	3,991,894
Interfund transfers out (note 3)	(2,615)	(3,989,279)	-	(3,991,894)
Revenue bonds issued	-	30,495,000	-	30,495,000
Total other financing sources (uses)	50,389	28,526,678	3,989,279	32,566,346
Net change in fund balances	1,958,369	13,582,163	3,514,798	19,055,330
Fund balances beginning of year	6,242,679	4,432,028	1,230,301	11,905,008
Fund balances end of year	<u>\$ 8,201,048</u>	<u>\$ 18,014,191</u>	<u>\$ 4,745,099</u>	<u>\$ 30,960,338</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 19,055,330

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 17,887,319	
Depreciation expense	<u>(1,257,860)</u>	16,629,459

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (12,969)

The increase in the Internal Service Fund net assets reflects an overcharge to governmental activities for the services provided. Expenses in the Statement of Activities are adjusted to reflect this overcharge. 40,015

Proceeds from issuing long-term liabilities and the related issuance costs provide current financial resources and require current financial uses of governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (31,929,831)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (939,779)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Deferred charges	(38,901)	
Amortization of bond premium	134,556	
Early retirement	143,421	
Compensated absences	286,658	
Net OPEB liability	<u>(229,000)</u>	<u>296,734</u>

Change in net assets of governmental activities \$ 3,138,959

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	School Nutrition	Internal Service Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 530,663	\$ 173,446
Receivables:		
Accounts	25,872	-
Inventories	10,095	-
Capital assets, net of accumulated depreciation (note 4)	<u>208,006</u>	<u>-</u>
Total assets	<u>774,636</u>	<u>173,446</u>
Liabilities		
Accounts payable	171,982	-
Deferred revenue	<u>10,425</u>	<u>-</u>
Total liabilities	<u>182,407</u>	<u>-</u>
Net Assets		
Invested in capital assets	208,006	-
Unrestricted	<u>384,223</u>	<u>173,446</u>
Total net assets	<u>\$ 592,229</u>	<u>\$ 173,446</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2012

	School Nutrition	Internal Service Funds
Operating revenues:		
Local sources:		
Charges for services	\$ 680,663	\$ 391,784
Operating expenses:		
Support services:		
Internal service operation:		
Benefits	-	273,273
Purchased services	-	79,187
	-	352,460
Food service operations:		
Salaries	28,542	-
Benefits	12,943	-
Purchased services	12,210	-
Other	10,480	-
	64,175	-
Non-instructional programs:		
Food service operations:		
Purchased services	894,077	-
Supplies	985,126	-
Depreciation	38,833	-
	1,918,036	-
Total operating expenses	1,982,211	352,460
Operating income (loss)	(1,301,548)	39,324
Non-operating revenues:		
Interest on investments	2,354	691
State sources	17,266	-
Federal sources	1,282,774	-
Total non-operating revenues	1,302,394	691
Change in net assets	846	40,015
Net assets beginning of year	591,383	133,431
Net assets end of year	\$ 592,229	\$ 173,446

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	School Nutrition	Internal Service Funds
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 619,018	\$ -
Cash received from miscellaneous operating activities	34,413	391,784
Cash payments to employees for services	(41,485)	-
Cash payments to suppliers for goods or services	<u>(1,832,019)</u>	<u>(352,460)</u>
Net cash provided by (used by) operating activities	<u>(1,220,073)</u>	<u>39,324</u>
Cash flows from non-capital financing activities:		
State grants received	17,266	-
Federal grants received	<u>1,172,549</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>1,189,815</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(61,385)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2,354</u>	<u>691</u>
Net increase (decrease) in cash and cash equivalents	(89,289)	40,015
Cash and cash equivalents beginning of year	<u>619,952</u>	<u>133,431</u>
Cash and cash equivalents end of year	<u>\$ 530,663</u>	<u>\$ 173,446</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	<u>School Nutrition</u>	<u>Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (1,301,548)	\$ 39,324
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	38,833	-
Commodities used	110,225	-
(Increase) in accounts receivable	(25,872)	-
Decrease in inventories	831	-
(Decrease) in accounts payable	(41,182)	-
(Decrease) in deferred revenue	(1,360)	-
Net cash provided by (used by) operating activities	<u>\$ (1,220,073)</u>	<u>\$ 39,324</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$110,225 of federal commodities.

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2012

	Self-funded Dental Plan	Flex Benefit Plan	Total
Assets			
Cash and pooled investments	\$ <u>172,707</u>	\$ <u>739</u>	\$ <u>173,446</u>
Liabilities			
None	<u>-</u>	<u>-</u>	<u>-</u>
Net assets			
Unrestricted	\$ <u><u>172,707</u></u>	\$ <u><u>739</u></u>	\$ <u><u>173,446</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2012

	Self-funded Dental Plan	Flex Benefit Plan	Total
Operating revenues:			
Local sources:			
Insurance contributions	\$ 315,843	\$ -	\$ 315,843
Flex contributions	-	75,941	75,941
Total operating revenues	<u>315,843</u>	<u>75,941</u>	<u>391,784</u>
Operating expenses:			
Support services:			
Premium/administration	273,273	-	273,273
Flex benefits	-	79,187	79,187
Total operating expenses	<u>273,273</u>	<u>79,187</u>	<u>352,460</u>
Operating income	42,570	(3,246)	39,324
Non-operating revenues:			
Interest	661	30	691
Change in net assets	43,231	(3,216)	40,015
Net assets beginning of year	129,476	3,955	133,431
Net assets end of year	<u>\$ 172,707</u>	<u>\$ 739</u>	<u>\$ 173,446</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2012

	Self-funded Dental Plan	Flex Benefit Plan	Total
Cash flows operating activities:			
Cash received from contributions	\$ 315,843	\$ -	\$ 315,843
Cash received from miscellaneous operating activities	-	75,941	75,941
Cash payments for claims	(243,673)	-	(243,673)
Cash payments for services	(29,600)	(79,187)	(108,787)
Net cash provided by (used by) operating activities	<u>42,570</u>	<u>(3,246)</u>	<u>39,324</u>
Cash flows from investing activities:			
Interest on investments	<u>661</u>	<u>30</u>	<u>691</u>
Net increase (decrease) in cash and cash equivalents	43,231	(3,216)	40,015
Cash and cash equivalents beginning of year	<u>129,476</u>	<u>3,955</u>	<u>133,431</u>
Cash and cash equivalents end of year	<u>\$ 172,707</u>	<u>\$ 739</u>	<u>\$ 173,446</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ 42,570	\$ (3,246)	\$ 39,324
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>\$ 42,570</u>	<u>\$ (3,246)</u>	<u>\$ 39,324</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2012

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>325,538</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>325,538</u></u>
See notes to financial statements.	

FORT DODGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2012

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 15,947
Interest	<u>12,302</u>
Total additions	<u>28,249</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>26,350</u>
Change in net assets	1,899
Net assets beginning of year	<u>323,639</u>
Net assets end of year	<u><u>\$ 325,538</u></u>
See notes to financial statements.	

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Fort Dodge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fort Dodge, Iowa, and agricultural territory in Webster County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Fort Dodge Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Fort Dodge Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's non-major proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for the food service operations of the District; the Internal Service, Self-funded Dental Plan, which is used to account for the District's self-funded dental insurance plan; and the Internal Service, Flex Plan, which is used to account for the District's employee flexible benefits plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	25,000
Improvements other than buildings	10,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and severance benefits payable to employees. Severance benefits accumulate up to 120 days for most employee service groups and is applicable for employees hired prior to July 1, 2006. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments as follows:

	<u>Total</u>
Iowa Schools Joint Investment Trust,	
Diversified Portfolio	\$ 1,393
Money Market Mutual Funds	<u>7,981</u>
	<u>\$ 9,374</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the money market mutual fund are valued at fair value.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services. The investment in the money market mutual fund was not rated.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	General	\$ 2,615
Debt Service	Capital Projects	<u>3,989,279</u>
		<u>\$ 3,991,894</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,244,973	\$ -	\$ 13,500	\$ 2,231,473
Construction in progress	2,741,848	17,210,985	1,705,098	18,247,735
Total capital assets not being depreciated	<u>4,986,821</u>	<u>17,210,985</u>	<u>1,718,598</u>	<u>20,479,208</u>
Capital assets being depreciated:				
Buildings	30,500,411	1,807,319	438,371	31,869,359
Improvements other than buildings	614,267	123,747	-	738,014
Furniture and equipment	6,348,990	463,866	318,598	6,494,258
Total capital assets being depreciated	<u>37,463,668</u>	<u>2,394,932</u>	<u>756,969</u>	<u>39,101,631</u>
Less accumulated depreciation for:				
Buildings	14,127,574	869,900	438,371	14,559,103
Improvements other than buildings	177,522	36,901	-	214,423
Furniture and equipment	4,954,203	351,059	318,598	4,986,664
Total accumulated depreciation	<u>19,259,299</u>	<u>1,257,860</u>	<u>756,969</u>	<u>19,760,190</u>
Total capital assets being depreciated, net	<u>18,204,369</u>	<u>1,137,072</u>	<u>-</u>	<u>19,341,441</u>
Governmental activities capital assets, net	<u>\$ 23,191,190</u>	<u>\$ 18,348,057</u>	<u>\$ 1,718,598</u>	<u>\$ 39,820,649</u>
Business-type activities:				
Furniture and equipment	\$ 416,751	\$ 61,385	\$ 20,453	\$ 457,683
Less accumulated depreciation	<u>231,297</u>	<u>38,833</u>	<u>20,453</u>	<u>249,677</u>
Business-type activities capital assets, net	<u>\$ 185,454</u>	<u>\$ 22,552</u>	<u>\$ -</u>	<u>\$ 208,006</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 140,397
Special	61,563
Other	32,999

Support services:

Student support	16,767
Instructional staff	23,256
Administration	34,990
Operation and maintenance of plant services	27,088
Transportation	13,999

351,059

Unallocated depreciation	<u>906,801</u>
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Total governmental activities depreciation expense	<u><u>\$ 1,257,860</u></u>
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Business-type activities:

Food service operations	<u><u>\$ 38,833</u></u>
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FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 1,431,605	\$ 461,407	\$ 604,828	\$ 1,288,184	\$ 501,881
Revenue bonds	-	30,495,000	-	30,495,000	-
Compensated absences	3,541,555	278,043	564,701	3,254,897	413,713
Net OPEB liability	535,000	229,000	-	764,000	-
Total	<u>\$ 5,508,160</u>	<u>\$ 31,463,450</u>	<u>\$ 1,169,529</u>	<u>\$ 35,802,081</u>	<u>\$ 915,594</u>

Early Retirement

The District offered a voluntary early retirement plan to all employees for the year ended June 30, 2012.

Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is tied to that employee's classification and severance benefit. Administrators and professional support employees will receive 125% of their severance benefit, which is calculated by multiplying the employee's per diem pay rate times their unused personal illness days, up to a maximum of 150 days for administrators and 120 days for professional support. Teachers will receive 250% of their severance benefit, which is calculated by multiplying \$87.49 times the number of unused personal illness days, up to a maximum of 120 days. Custodial/maintenance, transportation, clerical and paraeducators will receive 100% of their severance benefit (90% for transportation employees) calculated by multiplying various applicable hourly rates times the number of unused personal illness days, up to a maximum of 120 days (105 days for custodial/maintenance staff). The benefit for all early retirees will be applied to continued individual coverage under the District's health insurance at the single policy rate until age 65 or otherwise eligible for medicare. Any balance will be paid into a non-elective 403(b) tax sheltered annuity.

The early retirement incentives for prior years consisted of various different plans. Details of those plans are available upon request of District management.

At June 30, 2012, the District has obligations to 70 participants with a total liability of \$1,288,184. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$604,828. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

On October 1, 2011, the District issued \$20,495,000 in School Infrastructure Sales, Services and Use Tax Bonds. The bonds are payable from the District's sales tax revenues. The bonds are payable through the year ending June 30, 2026 and have interest rates ranging from 4.00% to 5.00%. On January 5, 2012, the District issued \$10,000,000 in School Infrastructure Sales, Services, and Use Tax Bonds. The bonds are payable from the District's sales tax revenues, are payable through the year ended June 30, 2030, and have an interest rate of 4.53%. All bonds issued during the year ended June 30, 2012 will be used for several construction projects, including a middle school building.

Details of the District's revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 1, 2011			Issue dated January 5, 2012			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2013	4.00 %	\$ -	\$ 1,197,188	4.53 %	\$ -	\$ 447,966	\$ -	\$ 1,645,154
2014	4.00	1,235,000	957,750	4.53	-	453,000	1,235,000	1,410,750
2015	4.00	1,285,000	908,350	4.53	-	453,000	1,285,000	1,361,350
2016	4.00	1,340,000	856,950	4.53	-	453,000	1,340,000	1,309,950
2017	4.00	1,390,000	803,350	4.53	-	453,000	1,390,000	1,256,350
2018	5.00	1,450,000	747,750	4.53	-	453,000	1,450,000	1,200,750
2019	5.00	1,505,000	689,750	4.53	-	453,000	1,505,000	1,142,750
2020	5.00	1,580,000	614,500	4.53	-	453,000	1,580,000	1,067,500
2021	5.00	1,660,000	535,500	4.53	-	453,000	1,660,000	988,500
2022	5.00	1,745,000	452,500	4.53	-	453,000	1,745,000	905,500
2023	5.00	1,830,000	365,250	4.53	-	453,000	1,830,000	818,250
2024	5.00	1,920,000	273,750	4.53	-	453,000	1,920,000	726,750
2025	5.00	2,020,000	177,750	4.53	-	453,000	2,020,000	630,750
2026	5.00	1,535,000	76,750	4.53	585,000	453,000	2,120,000	529,750
2027	-	-	-	4.53	2,200,000	426,500	2,200,000	426,500
2028	-	-	-	4.53	2,300,000	326,839	2,300,000	326,839
2029	-	-	-	4.53	2,405,000	222,650	2,405,000	222,650
2030	-	-	-	4.53	2,510,000	113,703	2,510,000	113,703
		<u>\$ 20,495,000</u>	<u>\$ 8,657,088</u>		<u>\$ 10,000,000</u>	<u>\$ 7,426,658</u>	<u>\$ 30,495,000</u>	<u>\$ 16,083,746</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future local option (statewide) sales and services tax revenues to repay the \$20,495,000 and \$10,000,000 bonds issued in October of 2011 and January of 2012. The bonds were issued for the purpose of financing a portion of the costs of construction of a new middle school. The bonds are payable solely from the proceeds of the local option statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 52 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$46,578,746. For the current year, no payments of principal and interest were made on the bonds and total statewide sales and services tax revenues were \$3,148,552.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- a) Bonds maturing after January 1, 2021, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- b) \$3,049,500 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- c) Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 445 active and 77 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 528,000
Interest on net OPEB obligation	24,000
Adjustment to annual required contribution	<u>(20,000)</u>
Annual OPEB cost	532,000
Contributions made	<u>303,000</u>
Increase in net OPEB obligation	229,000
Net OPEB obligation beginning of year	<u>535,000</u>
Net OPEB obligation end of year	<u><u>\$ 764,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$303,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 532,000	57.0%	\$ 764,000

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$5,470,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,470,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$23,262,000, and the ratio of the UAAL to covered payroll was 23.5%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2009.

Projected claim costs of the medical plan are \$839 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$1,850,581, \$1,564,231, and \$1,560,072, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Fort Dodge Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Risk Management (continued)

Self-Funded Dental Insurance Plan

The District began a self-funded insurance plan during the year ended June 30, 2000. The plan is funded by contributions from the District and is administered through a service agreement with Delta Dental Plan of Iowa. The agreement is not subject to automatic renewal provisions. The District assumes liability for claims up to the individual stop loss limitations of 125 percent of projected claims paid, determined by multiplying the number of enrolled participants as of month end by the applicable monthly aggregate attachment point (\$22.00 for single plans and \$76.00 for family plans).

Monthly payments of service fees and plan contributions to the Fort Dodge Community School District Employee Group Dental Plan are recorded as expenditures from the General and School Nutrition funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to Delta Dental Plan of Iowa from the Fort Dodge Community School District Employee Group Dental Plan Fund as an Internal Service Fund. The District's contributions to the fund for the year ended June 30, 2012 were \$315,843.

The Internal Service Fund, Self-Funded Dental Plan reserve was \$172,707 at June 30, 2012.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,573,604 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Returning dropouts and dropout prevention	\$ 868,907
Salary improvement program	233,287
Four-year-old voluntary preschool program	188,163
Professional development for model core curriculum	94,536
Professional development	42,990
Talented and gifted program	33,093
Market factor incentives	9,032
Total	<u>\$ 1,470,008</u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$31,385,940 for a new middle school and other projects. As of June 30, 2012, costs of \$15,601,703 had been incurred against the contracts. The balance of \$15,784,237 remaining at June 30, 2012 will be paid as work on the project progresses.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 12. Contingencies

The District is involved in several ongoing cases of litigation. The outcomes of these cases cannot be determined at this time. The District's insurance carrier is affording coverage for two of the above mentioned cases. However, a third and fourth case involve bargaining unit items and the financial effects cannot be estimated at this time.

Note 13. Intrafund Loan

The intrafund balance between the Capital Projects, School Infrastructure Account and Capital Projects, Physical Plant and Equipment Levy Account is due to a short-term loan made on June 28, 2008 and extended on June 25, 2012. The Fort Dodge Education Foundation has pledged to cover this loan with amounts donated from the Fort Dodge community residents and businesses. The intrafund loan has been eliminated from the basic financial statements because it represents an internal loan between capital projects accounts within the Capital Projects Fund. (See Schedule 3 in supplementary information.)

Note 14. Subsequent Event

The District approved a contract subsequent to year end totaling \$606,248 for new furniture and furniture installation at the new middle school building.

Required Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 21,774,345	\$ 683,017	\$ 22,457,362	\$ 21,518,509	\$ 21,518,509	\$ 938,853
Intermediate sources	4,000	-	4,000	2,500	2,500	1,500
State sources	22,526,726	17,266	22,543,992	22,928,609	22,928,609	(384,617)
Federal sources	2,572,107	1,282,774	3,854,881	3,097,658	3,097,658	757,223
Total revenues	46,877,178	1,983,057	48,860,235	47,547,276	47,547,276	1,312,959
EXPENDITURES/EXPENSES:						
Instruction	27,069,380	-	27,069,380	25,646,896	27,499,947	430,567
Support services	13,375,652	64,175	13,439,827	15,758,169	15,758,169	2,318,342
Non-instructional programs	8,273	1,918,036	1,926,309	1,834,972	1,998,427	72,118
Other expenditures	19,934,889	-	19,934,889	18,528,104	25,181,048	5,246,159
Total expenditures/expenses	60,388,194	1,982,211	62,370,405	61,768,141	70,437,591	8,067,186
Excess (deficiency) of revenues over (under) expenditures/ expenses	(13,511,016)	846	(13,510,170)	(14,220,865)	(22,890,315)	9,380,145
Other financing sources, net	32,566,346	-	32,566,346	30,902,500	30,902,500	1,663,846
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	19,055,330	846	19,056,176	16,681,635	8,012,185	11,043,991
Balance beginning of year	11,905,008	591,383	12,496,391	12,347,858	12,347,858	148,533
Balance end of year	<u>\$ 30,960,338</u>	<u>\$ 592,229</u>	<u>\$ 31,552,567</u>	<u>\$ 29,029,493</u>	<u>\$ 20,360,043</u>	<u>\$ 11,192,524</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$8,669,450.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 2,090	\$ 2,090	0.0%	\$ 23,639	8.8%
2011	July 1, 2010	-	5,470	5,470	0.0%	22,987	23.8%
2012	July 1, 2010	-	5,470	5,470	0.0%	23,262	23.5%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue		Debt	
	Management	Student	Service	Total
	Levy	Activity		
Assets				
Cash and pooled investments	\$ 478,087	\$ 283,630	\$ 3,989,280	\$ 4,750,997
Receivables:				
Property tax:				
Current year	11,363	-	-	11,363
Succeeding year	1,499,999	-	-	1,499,999
Total assets	<u>\$ 1,989,449</u>	<u>\$ 283,630</u>	<u>\$ 3,989,280</u>	<u>\$ 6,262,359</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 17,261	\$ -	\$ 17,261
Deferred revenue:				
Succeeding year property tax	1,499,999	-	-	1,499,999
Total liabilities	<u>1,499,999</u>	<u>17,261</u>	<u>-</u>	<u>1,517,260</u>
Fund balances:				
Restricted for:				
Debt service	-	-	939,780	939,780
Revenue bond reserve	-	-	3,049,500	3,049,500
Management levy purposes	489,450	-	-	489,450
Student activities	-	266,369	-	266,369
Total fund balances	<u>489,450</u>	<u>266,369</u>	<u>3,989,280</u>	<u>4,745,099</u>
Total liabilities and fund balances	<u>\$ 1,989,449</u>	<u>\$ 283,630</u>	<u>\$ 3,989,280</u>	<u>\$ 6,262,359</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	Special Revenue		Debt	
	Management	Student	Service	Total
	Levy	Activity		
Revenues:				
Local sources:				
Local tax	\$ 891,438	\$ -	\$ -	\$ 891,438
Other	51,720	922,779	1	974,500
State sources	600	-	-	600
Total revenues	<u>943,758</u>	<u>922,779</u>	<u>1</u>	<u>1,866,538</u>
Expenditures:				
Current:				
Instruction	891,349	946,274	-	1,837,623
Support services:				
Instructional staff services	39,535	-	-	39,535
Administration services	197,651	-	-	197,651
Operation and maintenance of plant services	169,193	-	-	169,193
Transportation services	97,017	-	-	97,017
Total expenditures	<u>1,394,745</u>	<u>946,274</u>	<u>-</u>	<u>2,341,019</u>
Excess (deficiency) of revenues over (under) expenditures	(450,987)	(23,495)	1	(474,481)
Other financing sources (uses):				
Interfund transfers in	-	-	3,989,279	3,989,279
Net change in fund balances	\$ (450,987)	\$ (23,495)	\$ 3,989,280	\$ 3,514,798
Fund balances beginning of year	<u>940,437</u>	<u>289,864</u>	<u>-</u>	<u>1,230,301</u>
Fund balances end of year	<u>\$ 489,450</u>	<u>\$ 266,369</u>	<u>\$ 3,989,280</u>	<u>\$ 4,745,099</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 4,462,394	\$ 266,816	\$ 12,792,158	\$ 17,521,368
Receivables:				
Property tax:				
Current year	-	10,633	-	10,633
Succeeding year	-	929,116	-	929,116
Intrafund receivable*	153,000	-	-	153,000
Due from other governments	498,529	-	-	498,529
Total assets	\$ 5,113,923	\$ 1,206,565	\$ 12,792,158	\$ 19,112,646
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 2,656	\$ 13,683	\$ 16,339
Intrafund payable*	-	153,000	-	153,000
Deferred revenue:				
Succeeding year property tax	-	929,116	-	929,116
Total liabilities	-	1,084,772	13,683	1,098,455
Fund balances:				
Restricted for:				
Other capital projects	-	-	12,778,475	12,778,475
School infrastructure	5,113,923	-	-	5,113,923
Physical plant and equipment	-	121,793	-	121,793
Total fund balances	5,113,923	121,793	12,778,475	18,014,191
Total liabilities and fund balances	\$ 5,113,923	\$ 1,206,565	\$ 12,792,158	\$ 19,112,646

* These amounts have been eliminated from the basic financial statements.

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 3,148,552	\$ 857,593	\$ -	\$ 4,006,145
Other	61,004	48,159	25,627	134,790
State sources	-	557	-	557
Total revenues	<u>3,209,556</u>	<u>906,309</u>	<u>25,627</u>	<u>4,141,492</u>
Expenditures:				
Current:				
Support services:				
Instructional staff services	9,504	147,879	-	157,383
Administration services	1,695	1,760	81	3,536
Operation and maintenance of plant services	-	46,596	-	46,596
Transportation services	-	517,207	-	517,207
Other expenditures:				
Facilities acquisition	1,098,956	446,505	16,029,899	17,575,360
Debt service	112,892	-	673,033	785,925
Total expenditures	<u>1,223,047</u>	<u>1,159,947</u>	<u>16,703,013</u>	<u>19,086,007</u>
Excess (deficiency) of revenues over (under) expenditures	1,986,509	(253,638)	(16,677,386)	(14,944,515)
Other financing sources (uses):				
Bond premium	2,018,342	-	-	2,018,342
Revenue bonds issued	30,495,000	-	-	30,495,000
Intrafund transfers in*	-	86,782	32,513,342	32,600,124
Intrafund transfers out*	(32,600,124)	-	-	(32,600,124)
Interfund transfers in	-	2,615	-	2,615
Interfund transfers out	(931,798)	-	(3,057,481)	(3,989,279)
Total other financing sources (uses)	<u>(1,018,580)</u>	<u>89,397</u>	<u>29,455,861</u>	<u>28,526,678</u>
Net change in fund balances	967,929	(164,241)	12,778,475	13,582,163
Fund balances beginning of year	<u>4,145,994</u>	<u>286,034</u>	<u>-</u>	<u>4,432,028</u>
Fund balances end of year	<u>\$ 5,113,923</u>	<u>\$ 121,793</u>	<u>\$ 12,778,475</u>	<u>\$ 18,014,191</u>

* These amounts have been eliminated from the basic financial statements.

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Council	\$ 59	\$ 2,348	\$ 2,072	\$ 335
Activity Club	139,412	5,854	6,506	138,760
Video Club	132	-	-	132
Birdseye Book Club	4,987	1,951	1,849	5,089
Professional Development	2,744	-	-	2,744
Magazines	2,792	-	-	2,792
Porter Fund	(2,523)	4,385	3,539	(1,677)
Student Flowers	5	-	32	(27)
District-wide Start School	2,108	547	-	2,655
Community Holiday Party	2	-	-	2
Speak Camp	157	-	-	157
Bus Garage Pop Money	3,496	1,650	1,818	3,328
HS Girls Tennis Fundraiser	2,988	5,175	4,437	3,726
HS Cross Country Fundraiser	117	4,132	3,917	332
Computer Media	(104)	160	-	56
Dodger Diner	1,618	1,174	987	1,805
Bridges Tipp	(14)	-	261	(275)
Bridges Fundraiser	3,301	300	677	2,924
Kayla Jones Scholarship	500	-	-	500
Drama Club	7,392	1,053	309	8,136
Debate Club	(14,080)	-	1,104	(15,184)
Speech Club	528	5,591	4,338	1,781
Vocal Music	900	263	2,375	(1,212)
Band Club	32,625	17,983	23,475	27,133
Coed Cross Country	-	8,493	8,493	-
HS Boys Basketball	-	10,499	10,499	-
HS Football	-	22,616	22,616	-
HS Boys Soccer	-	8,111	8,111	-
HS Boys Baseball	-	22,416	22,416	-
HS Boys Track	-	13,821	13,821	-
HS Boys Tennis	-	3,035	3,035	-
HS Boys Golf	-	6,299	6,299	-
HS Boys Swimming	-	11,522	11,522	-
HS Boys Bowling	-	3,801	3,801	-
HS Wrestling	-	25,059	25,059	-
HS Girls Basketball	-	7,974	7,974	-
HS Volleyball	-	7,219	7,219	-
HS Girls Soccer	-	4,954	4,954	-

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
HS Girls Softball	\$ -	\$ 15,246	\$ 15,246	\$ -
HS Girls Track	-	5,848	5,848	-
HS Girls Tennis	-	1,580	1,580	-
HS Girls Golf	-	3,870	3,870	-
HS Girls Swimming	-	5,087	5,087	-
HS Activity	(33,638)	-	12,306	(45,944)
Cap and Gown	3,254	6,818	5,026	5,046
Concessions	189	-	-	189
Wrestling	(9,252)	2,149	-	(7,103)
Girls Swim Fundraiser	640	395	1,834	(799)
Student PCCL	(939)	18,088	22,463	(5,314)
Senior Dinner Dance	448	478	926	-
Centel Pay Phone	(304)	11,248	13,835	(2,891)
Girls Track Fundraiser	74	9,170	5,061	4,183
Musical Club	(2,970)	11,018	8,261	(213)
VICA	605	1,387	2,714	(722)
French Club	47	-	47	-
Spanish Club	1,919	382	1,599	702
German Club	690	-	-	690
Cheerleaders	(6,750)	79,823	79,409	(6,336)
Yearbook	(9,643)	34,174	39,159	(14,628)
Newspaper	(244)	5,404	6,359	(1,199)
SADD	8	2,528	2,528	8
Huseman All State	185	-	83	102
Advanced Placement	3,386	-	1	3,385
FCY PCCL	10,532	14,584	20,276	4,840
DECA	920	2,663	6,290	(2,707)
National Honor Society	1,764	1,411	1,475	1,700
FCCLA	-	818	710	108
Class of 2002	223	-	223	-
Class of 2003	223	-	223	-
Class of 2004	183	-	183	-
Class of 2005	223	-	223	-
Junior Citizen	68	877	740	205
Orchestra Club	91	-	91	-
Art Festival	387	-	387	-
Marketing Club	-	616	616	-
Tournaments	30,770	90,653	90,959	30,464

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Football Fundraisers	\$ (3,875)	\$ 18,785	\$ 14,107	\$ 803
Girls Basketball Fundraisers	3,912	10,616	7,851	6,677
Boys Basketball Fundraisers	3,533	11,670	9,121	6,082
Orchestra Trip	2,774	523	104	3,193
Jamar Funds	711	-	-	711
Baseball Fundraisers	(2,462)	28,237	21,181	4,594
Volleyball Fundraisers	8,600	6,995	6,992	8,603
Science Club Fundraisers	681	-	-	681
Softball Fundraisers	1,822	16,035	16,391	1,466
Dodger Senate	14,640	13,330	22,275	5,695
Drill Team	3,172	5,312	6,267	2,217
Arboretum	-	466	466	-
Weight Room	134	-	-	134
English Club Donut Account	158	-	-	158
Math Prize	4,598	623	1,058	4,163
Art Club	1,107	866	288	1,685
Scoreboard Advertising	12,746	11,135	4,689	19,192
Boys Swim Fundraiser	2,154	6,053	5,366	2,841
Girls Soccer Fundraiser	1,041	-	-	1,041
Boys Soccer Fundraiser	721	-	280	441
Boys Golf Fundraiser	(1,170)	4,214	2,107	937
Boys Tennis Fundraiser	141	590	435	296
Boys Track Fundraiser	(16)	6,297	4,968	1,313
Freshman Academy	2,017	169	1,904	282
Girls Bowling Fundraiser	979	-	979	-
Boys Bowling Fundraiser	908	1,978	-	2,886
Compass	-	230	-	230
Ultimate Frisbee Club	-	317	175	142
Phillips Middle School:				
Other Unreserved Fund Balance				
Girls Golf Fundraiser	110	1,297	1,433	(26)
Vocal Music	4,995	11,334	9,584	6,745
Instrumental	3,688	14,460	14,767	3,381
Phillips Orchestra	1,349	-	-	1,349
Boys Basketball	-	5,870	5,870	-
Football Fundraiser	9,196	10,976	3,839	16,333
Boys Track	-	7,852	7,852	-
Boys Wrestling	-	4,439	4,439	-
Girls Basketball	-	4,993	4,993	-

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Phillips Middle School (continued):				
Girls Volleyball	\$ 166	\$ 3,170	\$ 3,336	\$ -
Girls Track	-	5,048	5,048	-
PCCL	(501)	6,970	4,799	1,670
Activities	(36,929)	-	9,869	(46,798)
Yearbook	(3,199)	9,447	11,925	(5,677)
7th Red	968	13,962	14,765	165
7th White	173	-	-	173
7th Black	5,158	11,867	11,598	5,427
8th Red	4,409	10,404	10,829	3,984
8th Blue	4,800	9,452	6,032	8,220
Cross Country	-	2,595	2,595	-
Allsport Machine	(223)	7,147	5,971	953
Juice Machine	56	-	-	56
S Larsen	2,499	178	1,814	863
Student Planner	(3,117)	105	3,144	(6,156)
Wrestling Fundraiser	(1,985)	-	-	(1,985)
Participation Fees	5	-	-	5
Softball	559	-	559	-
BD Classes Income	118	-	-	118
Positive Behavior Support	4,064	4,801	3,566	5,299
E-Pals	195	-	-	195
Cooking Club	-	838	308	530
Book Fair	-	1,256	1,256	-
Fair Oakes Middle School:				
Vocal Music	628	275	1,485	(582)
Instrumental	1,328	790	639	1,479
Activities	(2,815)	-	620	(3,435)
PCCL	1,737	1,962	2,054	1,645
Yearbook	4,545	3,979	3,286	5,238
6th Red	1,150	5,822	6,220	752
6th Blue	1,129	6,352	6,502	979
6th Gold	390	5,897	6,636	(349)
5th Red	978	6,439	6,025	1,392
5th Blue	1,843	6,564	5,400	3,007
5th Gold	1,277	6,439	4,921	2,795
Juice Machine	708	3,300	2,753	1,255
Pencil Sales	781	314	319	776
Mile of Pennies	855	3,121	388	3,588

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary:				
Student Planner	\$ 4,098	\$ 1,600	\$ 3,150	\$ 2,548
Book Fair	546	1,693	1,593	646
Scholarship	-	1,000	575	425
Positive Behavior Support	-	2,107	-	2,107
Butler PCCL	(170)	1,278	2,397	(1,289)
Butler Activity	3,630	9,563	7,987	5,206
Cooper PCCL	339	3,210	2,745	804
Cooper Library Club	391	-	-	391
Cooper Activities	19,784	4,384	14,278	9,890
Cooper School Shop N Share	189	-	-	189
Duncombe PCCL	242	2,755	2,210	787
Duncombe Reading Supplement	694	-	369	325
Feelhaver PCCL	1,137	1,940	2,897	180
Feelhaver Activities	3,354	6,724	6,594	3,484
Hillcrest PCCL	(242)	-	-	(242)
Hillcrest Activities	169	-	-	169
Riverside PCCL	(360)	1,752	1,787	(395)
Riverside School Council	108	-	-	108
Riverside Activities	1,504	4,262	3,588	2,178
Alternative PCCL	2,106	1,655	2,508	1,253
Total	\$ 289,864	\$ 922,779	\$ 946,274	\$ 266,369

See accompanying independent auditor's report.

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FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 18,169,182	\$ 17,843,213	\$ 16,550,866	\$ 17,570,913
Tuition	1,439,931	1,489,211	1,062,901	1,147,876
Other	2,165,232	1,565,601	1,540,162	1,717,814
Intermediate sources	4,000	-	144,810	25,979
State sources	22,526,726	22,210,714	20,009,076	22,641,130
Federal sources	2,572,107	3,823,588	4,981,956	2,910,717
Total revenues	<u>\$ 46,877,178</u>	<u>\$ 46,932,327</u>	<u>\$ 44,289,771</u>	<u>\$ 46,014,429</u>
Expenditures:				
Instruction	\$ 27,069,380	\$ 27,416,574	\$ 26,606,333	\$ 26,846,640
Regular instruction				
Special instruction				
Other instruction				
Support services:				
Student services	1,931,775	1,917,455	1,933,935	1,967,015
Instructional staff services	2,679,260	2,623,174	2,440,974	2,567,440
Administration services	4,031,101	3,808,152	3,754,908	3,865,335
Operation and maintenance of plant services	3,120,758	2,981,523	2,984,298	3,064,931
Transportation services	1,612,758	1,075,374	1,680,534	968,941
Non-instructional programs	8,273	9,027	35,180	25,049
Other expenditures:				
Facilities acquisition	17,575,360	4,962,492	2,114,401	2,216,729
Long-term debt:				
Principal	-	-	-	-
Interest and fiscal charges	785,925	-	-	-
AEA flowthrough	1,573,604	1,748,108	1,744,044	1,559,569
Total expenditures	<u>\$ 60,388,194</u>	<u>\$ 46,541,879</u>	<u>\$ 43,294,607</u>	<u>\$ 43,081,649</u>

See accompanying independent auditor's report.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	15,044,903	\$ 14,605,291	\$ 14,715,512	\$ 13,765,849
	1,118,721	1,003,395	901,333	760,724
	2,051,673	2,058,468	1,828,077	1,416,896
	30	39,655	2,150	-
	21,631,978	20,250,336	18,836,062	18,249,076
	<u>2,037,000</u>	<u>2,015,599</u>	<u>1,818,330</u>	<u>1,953,405</u>
\$	<u><u>41,884,305</u></u>	\$ <u><u>39,972,744</u></u>	\$ <u><u>38,101,464</u></u>	\$ <u><u>36,145,950</u></u>
\$	25,951,527	\$ 24,472,714	\$ 22,472,567	\$ 22,144,273
	1,802,069	1,738,220	1,676,128	1,227,542
	1,692,107	1,809,342	1,874,893	1,506,657
	3,730,001	3,718,929	3,455,908	2,853,328
	3,215,165	2,878,088	3,047,374	2,507,734
	1,243,037	1,095,187	993,752	922,757
	13,391	25,755	24,210	50,297
	1,304,281	902,477	1,232,599	1,993,757
	2,250,000	1,045,000	990,000	945,000
	89,943	160,488	212,495	262,620
	<u>1,496,741</u>	<u>1,430,875</u>	<u>1,333,850</u>	<u>1,307,783</u>
\$	<u><u>42,788,262</u></u>	\$ <u><u>39,277,075</u></u>	\$ <u><u>37,313,776</u></u>	\$ <u><u>35,721,748</u></u>

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	\$ 250,871
National School Lunch Program	10.555	FY 12	864,940
National School Lunch Program (non-cash)	10.555	FY 12	110,225
			<u>1,226,036</u>
Fresh Fruit and Vegetable Program	10.558	FY 12	<u>56,737</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	2313-G-12	961,652
Title I Grants to Local Educational Agencies	84.010	2313-G-11	5,815
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 12	38,476
			<u>1,005,943</u>
Special Education Grants to States	84.027	FY 12	<u>435</u>
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>57,910</u>
Twenty-First Century Community Learning Centers	84.287	FY 12	<u>75,000</u>
Advanced Placement Program	84.330	FY 12	<u>154</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>227,721</u>
Grants for State Assessments and Related Activities	84.369	FY 12	23,387
Grants for State Assessments and Related Activities	84.369	FY 11	4,620
			<u>28,007</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	<u>16,165</u>
Education Jobs Fund	84.410	FY 12	11,644
Education Jobs Fund	84.410	FY 11	181,568
			<u>193,212</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Prairie Lakes Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 12	<u>236,855</u>
 Total			 \$ <u><u>3,124,175</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Fort Dodge Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Fort Dodge Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fort Dodge Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Fort Dodge Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fort Dodge Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fort Dodge Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fort Dodge Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. No material weaknesses in internal controls over financial reporting and compliance were noted during the course of our audit.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Dodge Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Fort Dodge Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fort Dodge Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Fort Dodge Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fort Dodge Community School District and other parties to whom Fort Dodge Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fort Dodge Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 9, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Fort Dodge Community School District:

Compliance

We have audited Fort Dodge Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Fort Dodge Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Fort Dodge Community School District's management. Our responsibility is to express an opinion on Fort Dodge Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fort Dodge Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fort Dodge Community School District's compliance with those requirements.

In our opinion, Fort Dodge Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Fort Dodge Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Fort Dodge Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fort Dodge Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. No material weaknesses in internal controls over compliance with major programs were noted during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fort Dodge Community School District and other parties to whom Fort Dodge Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
January 9, 2013

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I grants to Local Education Programs, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fort Dodge Community School District qualified as a low-risk auditee.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-12 Financial Condition – The District’s Special Revenue, Student Activity Fund had several individual accounts with deficit balances as of June 30, 2012 totaling \$188,416.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate the deficits.

Response – We are working on this at this time and will review disbursement approval methods for the Student Activity accounts.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- IV-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin Rogers, Board Member	Officiating	\$195
Brian Forsythe, Board Vice President Owner of Hiway Truck Equipment	School supplies and equipment	\$10,514

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Member Rogers does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year. However, the transaction with Vice President Forsythe appears to violate Chapter 279.7A since the cumulative amount was more than \$2,500.

Recommendation – The District should contact legal counsel to resolve these situations.

Response – This was an oversight on our part. We will properly resolve these situations in the future. However, there is a limited number of suppliers in our area for these types of supplies in the case of Vice President Forsythe.

Conclusion – Response accepted.

- IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-G-12 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education for October 1, 2011 was understated by 2.22 students. The District’s certified enrollment count was understated due to the exclusion of three students who attended school in fiscal year 2012 and the overstatement of one resident student during fiscal year 2012. The District also understated one ELL student at .22.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

- IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- IV-I-12 Deposits and Investments – We noted that the District did not approve a new depository resolution as required by Chapter 12C.2 of the Code of Iowa to include the institution holding a money market account related to the current bond issuance.

Recommendation – The District should properly approve a depository resolution which properly includes all institutions holding District funds to protect the underlying assets and add an additional control over cash deposits.

Response – We approved a proper depository resolution which includes all District depositories in September, 2012. We will stay in compliance with Chapter 12C.2 of the Code of Iowa in the future and properly update our depository resolution to include all applicable institutions.

Conclusion – Response accepted.

- IV-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	4,145,994
Revenues:			
Sales tax revenues	\$	3,148,552	
Interest		31,941	
Other local revenues		29,063	
Bond premium		2,018,342	
Issuance of long-term debt		<u>30,495,000</u>	35,722,898
Expenditures/transfers out:			
School infrastructure construction		763,652	
Equipment		150,795	
Other		308,600	
Transfers to other funds:			
Debt Service Fund		931,798	
Other transfers		<u>32,600,124</u>	<u>34,754,969</u>
Ending balance		\$	<u><u>5,113,923</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.